

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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May 19, 2008

Tim Beals, Director of Transportation
Sierra County Department of Transportation
P.O. Box 98
Downieville, CA 95936

Re: Sierra County Department of Transportation
Audit of Indirect Cost Rate Proposal for Fiscal Year 2007
File No: P1190-0664

Dear Mr. Beals:

We have audited the Sierra County Department of Transportation's (County) Indirect Cost Rate Proposal (ICRP) for the fiscal year ended June 30, 2007 to determine whether the ICRP was presented in accordance with Office of Management and Budget (OMB) Circular A-87 and the Department of Transportation's (Department) Local Programs Procedures (LPP) 04-10. The County management is responsible for the fair presentation of the ICRP. The County proposed an indirect cost rate of 37.51% of total direct salaries and wages plus fringe benefits for fiscal year ending June 30, 2007.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the County. Therefore, we did not audit and are not expressing an opinion on the County's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICRP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the County, as well as evaluating the overall presentation.

The accompanying ICRP was prepared on a basis of accounting practices prescribed in the OMB Circular A-87 and the Department's LPP 04-10, and is not intended to present the

results of operations of the County in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICRP, a review of the County's single audit report for the fiscal year ended June 30, 2007, inquiries of the County's personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2007 and prior audit work completed on August 2002. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, the County's ICRP for the fiscal year ended June 30, 2007 is presented in accordance with OMB Circular A-87 and LPP 04-10. The approved indirect cost rate is 37.51% of total direct salaries and wages, plus fringe benefits. The approval for fiscal year ended June 30, 2007 is based on the understanding that a carry-forward provision does not apply as the rate was developed based on actual costs.

The results of this audit were communicated to Van Maddox, Sierra County Auditor, on April 18, 2008. This report is intended solely for the information of Sierra County, the California Transportation Commission, Department Management and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Rate Proposal for your files. Copies were sent to the Department's District 3, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Deborah Gip at (916) 323-7916 or Zilan Chen, Audit Supervisor, at (916) 323-7877.


MARYANN CAMPBELL-SMITH
Chief External Audits

Attachments

c: Brenda Bryant, FHWA
Sue Kiser, FHWA
Van Maddox, County of Sierra
Gary Buckhammer, HQ Accounting
DLAE, District 3
P1190-0664

SIERRA COUNTY

County Auditor
P.O. Box 425
Downieville, California 95936
530-289-3273



Sierra County Transportation Department Indirect Cost Plan

Van A. Maddox
Auditor/Risk Manager

Mark W. Stevenson
Senior Auditor/Controller

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Department), subject to the conditions in Section II. This plan was prepared by the County and approved by the Department.

SECTION 1: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Final	7/01/06 to 6/30/07	37.51	All Programs

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or the Department; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) Actual costs used in the calculation of the approved rate is contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133.

Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

B. Final Rate:

The final rate used in this Agreement is based on actual costs for the period covered by the rate. As a result, a carry-forward provision does not apply.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by the Department has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

| The approval will also be used by the Department in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate of Calculation:

FY 2007 Actual Indirect Costs	\$592,872
Carry Forward from FY 2005	\$88,152
Act FY 2007 Indirect Costs	\$681,024
FY 2007 Actual Direct Salaries and Wages plus Fringe Benefits	\$1,815,477
FY 2007 Indirect Cost Rate	37.51%

CERTIFICATION OF INDIRECT COSTS

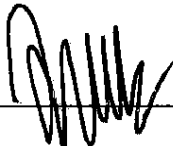
This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect cost rates for fiscal year 2007 (July 1, 2006 to June 30, 2007) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and the Department will be notified of any accounting changes that would affect the final rate.

I declare that the foregoing is true and correct.

Governmental Unit: Sierra County

Signature: 

Reviewed, Approved and Submitted by:

Name of Official: Tim Beals

Title: Transportation Director

Date of Execution: _____

Signature: 

Prepared by:

Name of Official: Van Maddox

Title: Sierra County Auditor

Telephone No.: 530-289-3273

INDIRECT COST RATE APPROVAL

The Department has reviewed this indirect cost plan and hereby approves the plan.


Signature


Reviewed and Approved by:


Name of Audit Manager

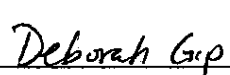
Title: Chief - External Audits

Date: 5/19/08

Phone Number: (916) 323-7105


Signature

Reviewed and Approved by:


Name of Auditor

Title: Auditor

Date: 5/13/08

Phone Number: (916) 323-7916

STIP
FY2006 07

INDIRECT COSTS ACTUAL	1	592,872
ROLL FORWARD FROM 2004/5	2	<u>88,152</u>
ESTIMATED FY 2006/07 INDERECT COST		<u>681,024</u>
ACTUAL DIRECT SALARIES & BENEFITS	3	<u>1,815,477</u>
FY 2006/07 INDERECT COST RATE		<u>37.51%</u>

CARRY FORWARD FROM 04/05

2

FY2006 07

FY 2004/05

TOTAL INDIRECT COST 04/05	492,210
CARRY-FORWARD	<u>195,005</u>
	687,215
RECOVERED COSTS	
DIRECT SALARIES 04/05	1,589,447
RATE 04/05	37.69%
TOTAL RECOVERED INDIRECT COST	599,063
INDIRECT CARRY FORWARD	88,152

FY 2006/07 INDIRECT COST RATE

RATE CHARGE SHEET
FY2006 07
FY2006 07

	HR RATE	OVERHEAD RATE	37.51% RATE	COMBINED HOURLY RATE
DIRECTOR OF PUBLIC WORKS / TRANSPORTATION	115.57		43.35	158.93
TRANSPORTATION PLANER	49.61		18.61	68.22
PUBLIC WORKS SUPERINTENDENT	65.47		24.56	90.03
ROAD WORKER III	40.19		15.08	55.27
CHIEF ACCT TECH	37.60		14.11	51.71
SECRETARY	26.36		9.89	36.25

FY 2006/07 INDERECT COST RATE

FY2006 07

STIP
FY2006 07

	Hr. Rate	Yr. Wage	Benfts Yr	vac	sic	Holidays	Pro Hrs	W/C Ins
DIRECTOR OF PUBLIC WORKS / TRANSPORTATION	115.57	135,628.40	58,536.98		200	96	104	1680 15,054.75
TRANSPORTATION PLANER	49.61	53,387.93	29,955.68		200	96	104	1680 5,926.06
PUBLIC WORKS SUPERINTENDENT	65.47	73,180.68	36,812.37		200	96	104	1680 8,123.06
ROAD WORKER III	40.19	41,640.49	25,886.08		200	96	104	1680 4,622.09
CHIEF ACCT TECH	37.60	41,758.42	25,926.94		80	96	104	1800 4,635.18
Secretary	26.36	26,731.21	20,721.14		80	96	104	1800 2,967.16

FY 2006/07 INDERECT COST RATE